

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 PM-09 NSC-10 SS-14 RSC-01 CIAE-00

INR-09 NSAE-00 T-03 OMB-01 GAC-01 L-03 IGA-02 MC-02

RSR-01 /071 W

----- 027268

P 120822 Z MAR 73

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC PRIORITY 6721

SECDEF WASHDC PRIORITY

INFO CINCPAC

COMUSKOREA

C O N F I D E N T I A L SEOUL 1486

E. O. 11652: GDS

TAGS: MARR, SK

SUBJ: FY 71 NET ADDITIONAL COSTSSKNAC) PAY AND ALLOWANCE

OBLIGATION

REF: SECDEF 022240 Z MAR 73

1. SINCE LAST NOVEMBER, JUSMAG- K HAS ENGAGED IN INTENSIVE NEGOTIATIONS WITH ROK MND ON FY 71 NAC. IN DISCUSSIONS WITH MND, JUSMAG- K HAS PRESSED KOREANS TO ACCEPT OUR PROPOSAL TO OFFSET NAC OBLIGATIONS BY \$3.493 M (FAIR VALUE) OF NON- LSE EQUIPMENT. IT WAS ALSO POINTED OUT TO MND THAT THIS APPEARS TO BE THE ONLY WAY WE SEE TO MEET THE OBLIGATION AND THAT WE CANNOT HOLD OUT HOPE FOR ANY ALTERNATIVE FUNDING.

2. MND HAS SEEMED EXTREMELY DOUBIOUS ABOUT THE PROPOSAL WHICH THEY SEE AS HIGHLY UNFAVORABLE TO ROKG. FURTHER, MND REFUSES TO ACCEPT OUR VIEWS ON THE URGENCY OF MAKING THE DECISION NOW.

3. IN THE LATEST SESSION ON MARCH 8, MND ASSISTANT MINISTER CHOI KWANG SOO MADE THE FOLLOWING POINTS:

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A. THE LEGAL VALUE OF THE EQUIPMENT OFFERED (56 PERCENT OF ACQUISITION VALUE) IS ONLY ABOUT ONE- HALF THE REMAINING US GOVERNMENT OBLIGATION FOR FY 71 NAC.

B. THE VALUE OF THE EQUIPMENT TO THE KOREANS WOULD BE REDUCED STILL FURTHER BY THE 10 PERCENT DEPOSIT REQUIREMENT.

C. IN THE US/ ROK MEMORANDUM OF AGREEMENT (MOA) DATED 21 JAN 72, SUBJECT: " REDEPLOYMENT OF ROKFV," USG HAD PREVIOUSLY AGREED TO THE TRANSFER OF NON- LSE EQUIPMENT TO ROKG UPON REDEPLOYMENT TO KOREA FROM VIETNAM AT A " FAIR VALUE" CHARGE.

D. THERE DOES NOT APPEAR TO BE ANY GREAT URGENCY IN ACCEPTING THE USG PROPOSAL AS IT COULD, IF NECESSARY, BE NEGOTIATED AT A LATER DATE (THIS VIEW PERSISTS DESPITE OUR EXPLANATION).

4. ASSISTANT MINISTER CHOI ALSO POINTED OUT THAT THE MOST PRESSING PROBLEM TO MND IS THE ADDITIONAL O& M FUNDS NEEDED DURING REMAINDER OF FY 73. THEREFORE, DEFENSE MINISTER YU WOULD BE EXTREMELY RELUCTANT TO AGREE TO OUR PROPOSAL INVOLVING THE TRANSFER OF EQUIPMENT WHICH WOULD NOT PROVIDE FUNDS WHICH ROKG COULD USE TO RELIEVE THEIR PRESENT O& M PROBLEM.

5. JUSMAG- K WILL CONTINUE TO URGE ROK MND TO ACCEPT OUR PROPOSAL. HOWEVER, DO NOT SEE ANY REASONABLE PROSPECT OF GETTING ROK ACCEPTANCE WITHOUT SOME INCREASE IN VALUE OF OUR PACKAGE. THIS COULD BE THE INCLUSION OF THE ONE U-21 IN VIETNAM AND THE THREE ORTC UH-1 H HELICOPTERS WHICH THE KOREANS WANT.
UNDERHILL

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*** Current Classification *** CONFIDENTIAL

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